



COOPERATIVE DEVELOPMENT INSTITUTE

PO Box 422, Shelburne Falls, Massachusetts 01370
PH 413-665-1271 • FX 413-541-8300 • www.cdi.coop • info@cdi.coop

Shared Farm Equipment, Facilities and Services

Purchasing and/or leasing farm equipment to share with other farmers can

- ✓ increase labor efficiency
- ✓ reduce capital investment in machinery and facilities
- ✓ save on operating costs
- ✓ take advantage of new technology
- ✓ access to specialized equipment
- ✓ attain greater economy of scale at a lower financial cost

and lead to

- ✓ shared labor and experience
- ✓ agreements that open new markets
- ✓ additional savings through joint purchasing of other farm inputs such as fuel, feed, seeds, etc.
- ✓ collaborative production systems among farmers that make better use of land resources, improve crop rotations and facilitate joint marketing and distribution

What are the biggest challenges?

- ✓ Scheduling: Especially during time-sensitive planting and harvesting periods
- ✓ Downtime: Especially if related to improper operation
- ✓ Homework: Especially taking the time and having the patience to plan operations

Key to success:

Members committed to the concept and willing to plan, organize and cooperate.

THE SOURCE FOR COOPERATIVE BUSINESS DEVELOPMENT IN NEW ENGLAND & NEW YORK

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The Details: Compatibility, Planning, Communication and Agreements

1. Start with a quick check-in about Compatibility of members, operations and equipment

- * Personalities
- * Work ethic
- * Skills
- * Farm (size, type, systems, etc.)

2. Planning: Equipment, Operations, Structure

a. Equipment

- * What equipment will we share?

Set criteria and decide what items make the most sense to purchase, lease and use together.

Estimate usage needed per farm per hour or per acre per machine as well as timing.

- * Scheduling? Who decides? When decided? Who keeps track? Can we match the machinery capacity to farms accounting for crops, soils, and seasonality; or do a geographic rotation; or hold a lottery or some other system? Need flexibility and timeliness.

- * Storage? Where will the items(s) be stored? Compensation? Insurance?

- * Transport? How will items be transferred among farms? How is cost allocated?

- * What equipment will include an operator?

- * What equipment requires training? How accomplished?

- * Determine rules of use and create a checklist. Decide what condition the equipment should be in when transferred: full tank? lubed? Cleaning standard? Other?

- * Records:

Log book for each item wherein each user records:

how much the equipment was used (e.g., in bales, hours, acres or ?);

the date and time of any breakdowns or any anomalies;

the date, time, and nature of any repairs or maintenance performed.

Equipment records: Date put in service, age, condition, value, etc.; maintenance plan and records.

- * Policies for Repairs: Decide what kinds of repairs can be handled by the user and what requires 'professional' attention. A procedure for determining the cause of a breakdown whether from careless operation or regular wear and tear; a method for dealing with breakdowns caused by operator misuse

- * Replacement policies

b. Operations: What are your operating items and costs? How will operating costs be allocated? Which costs will be shared and included in usage fee? Which paid separately by members? Some items:

- * Fuel, lubrication
- * Repairs, maintenance
- * Replacement fund
- * Depreciation
- * Financing or leasing payments
- * Insurance
- * Storage
- * Transport
- * Equipment recordkeeping
- * Bookkeeping
- * Management

At minimum, member fees cover: the cost of financing (capital and interest) the equipment; replacing the equipment; the using the equipment, including insurance, repair and maintenance; and storing the equipment.

c. Structure

* Governance: By-laws that specify membership requirements; governing board responsibilities and how elected; manager; dissolution; operating policies, etc.

* Memorandum of Understanding (MOU) with partnering organization (s) defining roles and responsibilities.

3. Communication

- ✓ Mutual respect and trust
- ✓ Ability to discuss issues and bring forth any concerns
- ✓ Strong spirit of cooperation
- ✓ Sharing experience and skills

4. **Agreements**: Everything in writing and accessible—Clear rules and policies that spell out the rights and obligations of the organization and its members.

Equipment: All the details about use, fees, insurance, repairs, maintenance, records, transfer among farms, storage, replacement, labor, etc.

Governance: All the details about membership rights, roles and responsibilities; the governing board. Etc.

MOU: all the details about the relationship with partners

Daily decision-making: Who is in charge?